

**U.S. House and Senate Notification**  
**Wednesday, September 1, 2010**

**To:** Congressional Health Staff

**From:** Amy Hall  
Director, Office of Legislation  
Centers for Medicare & Medicaid Services

**Subject:** Guidance on the Medicaid National Correct Coding Initiative

Today, the Centers for Medicare & Medicaid Services (CMS) released another State Medicaid Director (SMD) letter in a series of guidance on implementation of the Affordable Care Act of 2010. This letter provides initial guidance about Section 6507 of the Affordable Care Act—Mandatory State Use of National Correct Coding Initiative (NCCI). Specifically, the letter outlines several key pieces of information including State use of NCCI statutory requirements; implementation of NCCI methodologies in Medicaid; and resources and funding for implementing NCCI methodologies in State Medicaid programs.

Section 6507 of the Affordable Care Act amends section 1903(r) of the Social Security Act (the Act). Section 1903(r)(4) of the Act, as amended, requires CMS to take three specific actions by September 1, 2010:

1. Notify States of NCCI methodologies that are “compatible” with claims filed with Medicaid to promote correct coding and control improper coding leading to inappropriate payment of claims under Medicaid.
2. Notify States of the NCCI methodologies (or any successor initiative to promote correct coding and to control improper coding leading to inappropriate payment) that should be incorporated for claims filed with Medicaid for which no national correct coding methodology has been established for Medicare.
3. Inform States as to how they must incorporate these methodologies for claims filed under Medicaid.

By March 1, 2011, CMS must submit a report to Congress that includes the September 1, 2010, notice to States and an analysis supporting these methodologies. Section 1903(r)(1)(B)(iv), as amended, requires that States incorporate compatible methodologies of the NCCI administered by the Secretary and such other methodologies as the Secretary identifies, effective for Medicaid claims filed on or after October 1, 2010.

The NCCI is a CMS program that consists of coding policies and edits. Providers report procedures/services performed on beneficiaries utilizing Healthcare Common Procedure Coding System (HCPCS) codes. These codes are submitted on claim forms to Fiscal Agents for payment. NCCI policies and edits identify procedures/services performed by the same provider for the same beneficiary on the same date of service. This program was originally implemented in the Medicare program in January 1996 to ensure accurate coding and reporting of services by physicians. The coding policies of NCCI are based on coding conventions defined in the American Medical Association’s Current Procedural Terminology

Manual, national and local Medicare policies and edits, coding guidelines developed by National societies, standard medical and surgical practice, and/or current coding practice.

All SMD letters may be found on the CMS website at <http://www.cms.gov/SMDL/SMD/list.asp> and this SMD will be available at this website early next week.

If you have questions about this notification, please contact the CMS Office of Legislation.  
Thank you.